

OGC HAS REVIEWED.

2 July 1952

MEMORANDUM FOR: Acting Deputy Director (Administration)

SUBJECT: Patent Rights

1. The Chief of Procurement and Supply has asked for policy guidance in his memorandum of 30 June on the question of negotiating patent rights with contractors doing research work for the Government. The problem arises in one of the first [REDACTED] contracts of this nature, and decision on this point will probably set a pattern for the whole [REDACTED] program. The following comments are submitted for guidance on an over-all Government practice and thought.

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2. It appears to be the unanimous thought of the Attorney General and other Government officials who have studied the matter that patents arising out of work done for the Government, and for profit out of Government funds, should belong to the Government with shop rights going back to the contractor. There are many exceptions and, in straight procurement, rights to so-called foreground patents, particularly when the contractor has an existing patent structure, are normally left to the contractor with royalty free license going back to the Government. Also the philosophy set forth above has not been followed in practice and, during the war particularly, the Armed Services appear not to have made an issue of the patent problem but have let the contractors take title in almost all cases.

3. Our thoughts are as follows. On one extreme we have the case of the contractor who is asked to do pure research on a matter of interest to the Government which he would not otherwise do, and who has all his costs plus a fee paid by the Government. He takes no risks as all facilities and personnel are either provided or paid for by the Government. We think it would be only sound business practice to insist that the title to any patents resulting from this work stay with the Government and that shop rights as appropriate should be given to the contractor. On the other extreme we have a simple item of procurement with developmental features from a contractor already engaged in procuring the type of material involved who is fully equipped with his own capital structure and plant and who may be either on a cost-plus-fixed-fee basis or a negotiated-price contract in which he is risking his profit on his ability to produce economically. Particularly if he has an existing patent structure in the field we see no objection to granting to him the right to foreground patents. In between are all sorts of variations. We suggest that the Contracting Officer be

instructed as follows on Agency policy.

a. In all cases he should attempt to obtain title to any prospective patents in the Government, but he should feel free to relinquish such rights to the contractor in those procurement items where the Government philosophy clearly permits.

b. In all research contracts, however, he should try to obtain title to patents in the Government.

c. If this cannot be obtained and there appear to be logical arguments that certain patents should go to the contractor, I believe it would be sound to put in the contract a clause to the effect that as patent questions arose they would be referred to the Agency Patents Board which would be authorized to review and make final determination on whether it was fair and equitable for the patent title to be in the Government or with the contractor. Where such determination can be made in advance, the Contracting Officer should feel free to exercise his discretion and negotiate a contract provision spelling out the specific rights of each party.

d. In those cases where the Contracting Officer, in the light of over-all Government philosophy, believes that such a Patents Board clause should be inserted or patents should go to the Government, and the contractor with whom he is negotiating insists that all patent rights go to him, the Contracting Officer should seek out another contractor qualified to do the work and only if such other suitable contractor cannot be found should he make an exception to the above stated concept of Government-wide policy on patent rights. This emphasizes the fact that the Contracting Officer must be free to conduct procurement of all types in accordance with standard Government policies and procedures as they may be qualified by our peculiar security problems and authorities granted us. This means that in all but the most exceptional cases, the Requisitioning Branch should not determine who the contractor will be. They may, of course, recommend suitable contractors and point out special factors in connection with their desires, but unless most unusual considerations are presented to override the normal procedures, the Contracting Officer should make final determination of the party with whom the Government is going to contract.

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OGC/LRH:kr

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